

ECONOMIST CORNER

Livestock by Shane Ellis
and

Grains by Robert Wisner
Iowa Cooperative Extension Service - Ames

LIVESTOCK

National swine numbers have increased slightly or remained steady since last year, which is not a surprise with the continued higher than usual slaughter hog prices we have seen over the past 14 months. The June 1 inventory of breeding animals is estimated at just less than 6 million head, up 0.7 percent from last year, but still under the 2003 inventory. Market hogs are estimated at 54.8 million head, up 0.1 percent from last year. Pork production is expected to increase 1.5 percent in the next quarter compared to third quarter in 2004 based upon Dec-Feb pig crop. The pig crop during Mar-May was 25.9 million head, up 1 percent from a year ago suggesting that fourth quarter supplies will increase by about 1 percent. The number of sows farrowing has been steady to slightly more than last year. Increasing carcass weights and steady imports of Canadian hogs will add slightly to total pork supplies. Farrowing intentions for the rest of 2005 are down slightly with an estimated 5.8 million head of sows expected to farrow in the next two quarters. Commercial pork production is expected to be up over 1 percent for the remainder of this year. Farrowing intentions would also suggest a 1 percent increase in production in the first half of 2006. Although hog prices for the past year have been truly exceptional, it is too early to say that hog prices will stay that way for the long term. Live hog prices in the third quarter are forecast to be in the range of \$47-50/cwt. Demand has shown some signs of weakening recently, so prices are likely to soften, but a complete return to 2003 prices is not expected anytime soon.

Another case of BSE was confirmed in the United States, when tissue samples from a suspect cow tested last November were retested in an England lab. This is the first BSE case in a native born animal. Effects of this news on the beef market will depend upon consumer confidence in the animal testing procedures. Since testing started with the first BSE case fewer infected cattle have been found than was originally expected, adding confidence to the safety of American beef. USDA is doing a review of its confirmatory testing methods for reliability and consistency. Export volumes are not likely to be affected by this confirmed case, and negotiations to reestablish trade with former Asian markets should not be hindered. Currently cattle prices are moving through the usual post-Memorial Day slump, but prices usually begin to recover by mid July. However, as with the pork market there is some concern that high retail prices may be wearing on consumer demand.

GRAINS

Prices for corn and soybeans will be unusually sensitive to weather conditions east of the Mississippi river and in Missouri through the third week of August. Rainfall in much of that region from late April through late June was sharply below normal. The dry areas accounted for 36% of U.S. corn and soybean production last year. Illinois reporters indicated its corn crop was only 32% good to excellent on June 26. A continuation of this spring's weather pattern through late August would have the potential to cut U.S. average yields for both crops modestly below the long-term trend. For corn, the expected large old-crop carryover would temper upside price potential beyond recent highs. However, for soybeans, domestic and export demand have been stronger than anticipated in the last several weeks and August 31 stocks appear likely to be below earlier projections. A drop of 2.5 to 3 bushels from a U.S. trend yield would be likely to bring substantially tighter soybean supplies in late fall and winter. Recent old and new-crop prices have built in a substantial risk premium reflecting the possibility that yields would drop that much or more because of either dry weather or Asian rust.

Through June 29, Asian rust had been found in only two soybean fields, one of which was volunteer soybeans. One field was in extreme southwestern Georgia, and the other was in the extreme western end of the Florida panhandle. Georgia and Florida together last year produced an estimated 8.9 million bushels of soybeans out of a national crop of 3.14 billion bushels. Neighboring Alabama produced only 6.7 million bushels of soybeans. Loss of half of the bean crop in these three states would be insignificant to the U.S. supply-demand balance. However, it will be important to monitor whether rust spreads to other states in the Mississippi Delta.

Crops in the western Corn Belt looked generally good in late June. If recent rains move east of the Mississippi River, both corn and soybean prices would have substantial down-side risk.

Average Prices Received by Farmers for Farm Products

Item	Unit	IOWA			U.S.	
		Sep ¹ 2004	Aug ¹ 2005	Sep ² 2005	Aug ¹ 2005	Sep ² 2005
		-----Dollars-----				
Corn	Bu.	2.23	2.00	1.75	2.11	1.89
Oats	Bu.	1.34	1.69	1.70	1.59	1.53
Soybeans	Bu.	6.80	6.58	6.00	6.65	6.09
Alfalfa, baled	Ton	84.00	77.00	79.00	109.00	109.00
All Hay,	Ton	81.00	73.00	77.00	99.70	99.70
baled	Cwt.	57.30	51.60	51.80	49.80	50.00
All Hogs	Cwt.	47.00	39.80	40.50	37.70	38.60
Sows	Cwt.	57.40	51.80	52.00	50.30	50.50
Bar & Gilts	Cwt.	87.30	77.50	77.00	85.30	84.70
Beef Cattle	Cwt.	53.10	54.00	52.00	53.80	51.90
Cows	Cwt.	88.00	78.00	77.50	88.40	88.00
Strs & Hfrs	Cwt.	117.00	130.00	128.00	132.00	131.00
Calves	Hd.	-	1,840	-	1,830	-
Milk Cows ³	Cwt.	15.90	15.30	15.20	14.80	14.70
Milk (whls)	Cwt.	42.70	42.00	-	40.30	-
Sheep	Cwt.	92.00	106.00	-	109.00	-
Lambs	Doz.	0.290	0.279	0.200	0.326	0.257
Eggs (mkt)						

¹ Corn, oats, soybeans, all hogs, all cattle, all sheep, and milk are whole-month prices. All hay and eggs are mid-month prices. ² All prices are mid-month. ³ Prices published January, April, July, and October.

Price Index Summary Table

Prices Received	IOWA			UNITED STATES		
	Sep 2004	Aug 2005	Sep ¹ 2005	Sep 2004	Aug 2005	Sep ¹ 2005
1990-92=100 ²						
Prices rec'd	114	104	98	120	118	117
Crops	109	101	91	119	118	116
Lvstk Prods.	119	107	105	122	118	117
1910-14=100 ³						
Prices rec'd	-	-	-	764	747	741
Crops	-	-	-	585	580	572
Lvstk Prods.	-	-	-	933	903	899

¹ Preliminary ² 1990-92=100 reference replaced 1997=100 in January 1995. ³ Iowa figures for 1910-14=100 base not available.

U.S. Prices Paid Index Summary

Prices Paid	Sep 2004	Aug 2005	Sep 2005	Sep 2004	Aug 2005	Sep 2005
Prices Paid ¹ Feed Ratio ²	1990-92=100			1910-14=100		
	135	141	141	1,797	1,873	1,878
	119	123	126	582	602	614
	89	84	83	43	40	39

¹ Prices paid by farmers for commodities and services, interest, taxes, and farm wage rates. ² Ratio of index of prices received to index of prices paid for commodities and services, interest, taxes, and farm wage rates.